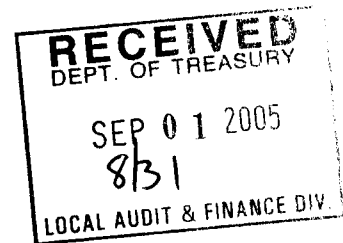


TOWNSHIP OF ONTWA  
Cass County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2005



## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

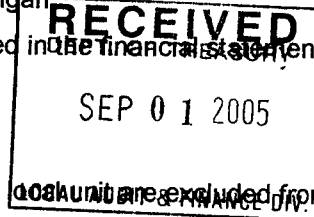
<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Ontwa	<b>County</b> Cass
<b>Audit Date</b> March 31, 2005	<b>Opinion Date</b> June 30, 2005	<b>Date Accountant Report Submitted to State:</b> August 31, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations



You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686		<b>City</b> Bay City	<b>State</b> MI
<b>Accountant Signature</b> Campbell, Kusterer & Co., P.C.		<b>Zip</b> 48707	

TOWNSHIP OF ONTWA  
Cass County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

June 30, 2005

To the Township Board  
Township of Ontwa  
Cass County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Ontwa, Cass County, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Ontwa's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Ontwa, Cass County, Michigan as of March 31, 2005, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2004.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF ONTWA  
Cass County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2005

The Management's Discussion and Analysis report of the Township of Ontwa covers the Township's financial performance during the year ended March 31, 2005.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2005, totaled \$715,548.25 for governmental activities. Overall total capital assets remained approximately the same.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund, the Building Fund, the Sewer Fund and the Current Tax Collection Fund.

TOWNSHIP OF ONTWA  
Cass County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2005

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund and the Building Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains strong.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant are police protection of \$485,030.69, fire protection of \$158,687.14 and ambulance of \$158,767.14.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$0 in capital assets.

The Township's governmental activities paid \$26,371.99 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is uncertain and it could have adverse effects on the operation of the Township.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk or Township Treasurer at the Township Hall or by calling between the hours of 9:00 a.m. and 12 p.m., Monday through Friday at (269) 663-2347.

TOWNSHIP OF ONTWA  
Cass County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2005

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	316 461 37
Investments	35 429 05
Taxes receivable	<u>48 141 58</u>
Total Current Assets	<u>400 032 00</u>
NON-CURRENT ASSETS:	
Capital Assets	425 219 18
Less: Accumulated Depreciation	<u>(71 010 67)</u>
Total Non-current Assets	<u>354 208 51</u>
TOTAL ASSETS	<u><u>754 240 51</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>38 692 26</u>
Total Current Liabilities	<u>38 692 26</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>38 692 26</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	354 208 51
Unrestricted	<u>361 339 74</u>
Total Net Assets	<u>715 548 25</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>754 240 51</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ONTWA  
Cass County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended March 31, 2005

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
<b>FUNCTIONS/PROGRAMS</b>		<u>Charges for Services</u>	
Governmental Activities:			
Legislative	82 122 56	-	(82 122 56)
General government	161 333 38	44 907 29	(116 426 09)
Public safety	890 578 20	101 097 64	(789 480 56)
Public works	73 530 04	9 890 50	(63 639 54)
Culture and recreation	4 930 00	-	(4 930 00)
Interest on long-term debt	35	-	(35)
Total Governmental Activities	<u>1 212 494 53</u>	<u>155 895 43</u>	<u>(1 056 599 10)</u>
General Revenues:			
Property taxes			768 573 04
State revenue sharing			333 393 41
Interest			7 793 29
Miscellaneous			<u>18 157 47</u>
Total General Revenues			<u>1 127 917 21</u>
Change in net assets			71 318 11
Net assets, beginning of year			<u>644 230 14</u>
Net Assets, End of Year			<u>715 548 25</u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF ONTWA  
Cass County, Michigan

BALANCE SHEET - GOVERNMENTAL FUNDS  
March 31, 2005

<u>Assets</u>	<u>General</u>	<u>Building</u>	<u>Total</u>
Cash in bank	251 754 81	58 575 39	310 330 20
Investments	35 429 05	-	35 429 05
Taxes receivable	48 141 58	-	48 141 58
Due from other funds	6 131 17	-	6 131 17
Total Assets	<u>341 456 61</u>	<u>58 575 39</u>	<u>400 032 00</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Accounts payable	38 692 26	-	38 692 26
Total liabilities	<u>38 692 26</u>	<u>-</u>	<u>38 692 26</u>
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	302 764 35	58 575 39	361 339 74
Total fund equity	<u>302 764 35</u>	<u>58 575 39</u>	<u>361 339 74</u>
Total Liabilities and Fund Equity	<u>341 456 61</u>	<u>58 575 39</u>	<u>400 032 00</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ONTWA  
Cass County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
March 31, 2005

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS

361 339 74

Amounts reported for governmental activities in the statement of  
net assets are different because –

Capital assets used in governmental activities are not financial resources and  
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost  
Accumulated depreciation

425 219 18  
(71 010 67)

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES

715 548 25

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ONTWA  
Cass County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
Year ended March 31, 2005

	<u>General</u>	<u>Building</u>	<u>Total</u>
Revenues:			
Property taxes	768 573 04	-	768 573 04
Licenses and permits	42 251 29	98 872 64	141 123 93
State revenue sharing	333 393 41	-	333 393 41
Charges for services	4 441 00	-	4 441 00
Interest	7 368 59	424 70	7 793 29
Special assessments	10 330 50	-	10 330 50
Miscellaneous	14 326 47	3 831 00	18 157 47
Total revenues	<u>1 180 684 30</u>	<u>103 128 34</u>	<u>1 283 812 64</u>
Expenditures:			
Legislative:			
Township Board	82 122 56	-	82 122 56
General government:			
Supervisor	54 742 40	-	54 742 40
Elections	8 526 18	-	8 526 18
Assessor	24 619 23	-	24 619 23
Clerk	21 418 62	-	21 418 62
Board of Review	2 715 55	-	2 715 55
Treasurer	21 309 08	-	21 309 08
Building and grounds	15 480 78	-	15 480 78
Cemetery	1 000 00	-	1 000 00
Public safety:			
Police protection	485 030 69	-	485 030 69
Fire protection	158 687 14	-	158 687 14
Ambulance	158 767 14	-	158 767 14
Planning Commission	4 951 41	-	4 951 41
Protective inspection	-	83 141 82	83 141 82
Public works:			
Highways and streets	62 091 97	-	62 091 97
Street lights	6 093 75	-	6 093 75
Sanitation	5 344 32	-	5 344 32
Culture and recreation:			
Parks	4 930 00	-	4 930 00
Debt service	26 372 34	-	26 372 34
Total expenditures	<u>1 144 203 16</u>	<u>83 141 82</u>	<u>1 227 344 98</u>
Excess (deficiency) of revenues over expenditures	36 481 14	19 986 52	56 467 66
Fund balances, April 1	<u>266 283 21</u>	<u>38 588 87</u>	<u>304 872 08</u>
Fund Balances, March 31	<u><u>302 764 35</u></u>	<u><u>58 575 39</u></u>	<u><u>361 339 74</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ONTWA  
Cass County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year ended March 31, 2005

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 56 467 66

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense (11 521 54)  
Capital Outlay -

Repayment of debt principal is an expenditure in the governmental funds, the  
repayment does not have an effect in the statement of activities but does  
reduce the debt balance in the statement of net assets.

Principal payments on long-term debt 26 371 99

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES 71 318 11

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ONTWA  
Cass County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Ontwa, Cass County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Ontwa. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Joint Venture

The Township is a member of the Ontwa Township – Edwardsburg Police Department and the Edwardsburg Ambulance Service. The Township appoints two members to each joint venture's governing board, which then approves the annual budgets. Financial information of the joint ventures may be obtained from them in Edwardsburg, Michigan.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

TOWNSHIP OF ONTWA  
Cass County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Fund

This fund is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Funds

The Current Tax Collection Fund and the Sewer Fund are used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

TOWNSHIP OF ONTWA  
Cass County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2004 tax roll millage rate was 4.8434 mills, and the taxable value was \$157,067,264.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Building	50 years
Equipment	5-15 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

TOWNSHIP OF ONTWA  
Cass County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Accounting Change (continued)

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$354,208.51.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.



TOWNSHIP OF ONTWA  
Cass County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 3 – Deposits and Investments (continued)

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>524 480 86</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	100 000 00
Uninsured and Uncollateralized	<u>4 633 260 60</u>
Total Deposits	<u>4 733 260 60</u>

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.

The GASB Statement No. 3 risk disclosures for the Township's investments are categorized as follows:

<u>Investment Type</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
Risk-Categorized: Operating Funds	-	-	-	-
Total Risk-Categorized Investments	<u>-</u>	<u>-</u>	<u>-</u>	-
Nonrisk-Categorized: Financial Institution Pooled Funds				<u>35 429 05</u>
Total Investments				<u>35 429 05</u>

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

TOWNSHIP OF ONTWA  
Cass County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/04	Additions	Deletions	Balance 3/31/05
<u>Governmental Activities:</u>				
Land	7 350 00	-	-	7 350 00
Building	384 181 28	-	-	384 181 28
Equipment	33 687 90	-	-	33 687 90
Total	425 219 18	-	-	425 219 18
Accumulated Depreciation	(59 489 13)	(11 521 54)	-	(71 010 67)
Net Capital Assets	<u>365 730 05</u>	<u>(11 521 54)</u>	<u>-</u>	<u>354 208 51</u>

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

As of March 31, 2005, the Township had building permit revenues of \$98,872.64 and building permit expenses of \$83,141.82.

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>6 131 17</u>	Current Tax Collection	<u>6 131 17</u>

TOWNSHIP OF ONTWA  
Cass County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 10 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/05</u>
Note Payable – Building	26 371 99	-	26 371 99	-
Total	<u>26 371 99</u>	<u>-</u>	<u>26 371 99</u>	<u>-</u>

Note 11 – Note Payable – Building

On May 15, 1998, the Township obtained a loan from Shoreline Bank in the amount of \$290,000.00 to aid in the purchase of a new Township Hall. The note required 120 monthly payments in the amount of \$3,140.25. The monthly payments included principal and interest at the rate of 5.37% per annum. The loan was paid off during the fiscal year ended March 31, 2005.

Note 12 – Budget Variances

During the fiscal year ended March 31, 2005, Township expenditures exceeded the budgeted amounts in the activities as follows:

	<u>Total Budget</u>	<u>Total Expenditures</u>	<u>Excess Expenditures</u>
General Fund Activity:			
Police protection	455 456 60	485 030 69	29 574 09
Fire protection	142 108 30	158 687 14	16 578 84
Ambulance	142 348 30	158 767 14	16 418 84
Street lights	6 000 00	6 093 75	93 75

TOWNSHIP OF ONTWA  
Cass County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended March 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	697 743 07	697 743 07	768 573 04	70 829 97
Licenses and permits	11 080 00	11 080 00	42 251 29	31 171 29
State revenue sharing	303 100 00	313 100 00	333 393 41	20 293 41
Charges for services:				
Other	13 000 00	13 000 00	4 441 00	(8 559 00)
Interest	600 00	600 00	7 368 59	6 768 59
Special assessments	-	-	10 330 50	10 330 50
Miscellaneous	4 900 00	4 900 00	14 326 47	9 426 47
Total revenues	<u>1 030 423 07</u>	<u>1 040 423 07</u>	<u>1 180 684 30</u>	<u>140 261 23</u>
Expenditures:				
Legislative:				
Township Board	65 142 71	87 742 71	82 122 56	(5 620 15)
General government:				
Supervisor	69 960 00	69 960 00	54 742 40	(15 217 60)
Elections	9 800 00	10 800 00	8 526 18	(2 273 82)
Assessor	23 000 00	27 000 00	24 619 23	(2 380 77)
Clerk	22 800 00	23 300 00	21 418 62	(1 881 38)
Board of Review	3 100 00	3 100 00	2 715 55	(384 45)
Treasurer	19 500 00	22 000 00	21 309 08	(690 92)
Building and grounds	24 850 00	22 250 00	15 480 78	(6 769 22)
Cemetery	1 000 00	1 000 00	1 000 00	-
Public safety:				
Police protection	455 456 60	455 456 60	485 030 69	29 574 09
Fire protection	142 108 30	142 108 30	158 687 14	16 578 84
Ambulance	142 348 30	142 348 30	158 767 14	16 418 84
Planning Commission	14 750 00	14 750 00	4 951 41	(9 798 59)
Public works:				
Highways and streets	80 000 00	64 000 00	62 091 97	(1 908 03)
Street lights	6 000 00	6 000 00	6 093 75	93 75
Sanitation	9 000 00	9 000 00	5 344 32	(3 655 68)
Culture and recreation:				
Parks	5 000 00	5 000 00	4 930 00	(70 00)
Debt service	37 683 00	35 683 00	26 372 34	(9 310 66)
Total expenditures	<u>1 131 498 91</u>	<u>1 141 498 91</u>	<u>1 144 203 16</u>	<u>2 704 25</u>
Excess (deficiency) of revenues over expenditures	(101 075 84)	(101 075 84)	36 481 14	137 556 98
Fund balance, April 1	<u>101 075 84</u>	<u>101 075 84</u>	<u>266 283 21</u>	<u>165 207 37</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>302 764 35</u>	<u>302 764 35</u>

TOWNSHIP OF ONTWA  
Cass County, Michigan

BUDGETARY COMPARISON SCHEDULE – BUILDING FUND  
Year ended March 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Licenses and permits	79 450 00	77 450 00	98 872 64	21 422 64
Interest	300 00	300 00	424 70	124 70
Miscellaneous	<u>2 200 00</u>	<u>2 200 00</u>	<u>3 831 00</u>	<u>1 631 00</u>
Total revenues	<u>81 950 00</u>	<u>79 950 00</u>	<u>103 128 34</u>	<u>23 178 34</u>
Expenditures:				
Public safety:				
Protective inspection	88 800 00	92 300 00	83 141 82	(9 158 18)
Contingency	<u>31 738 87</u>	<u>25 650 00</u>	<u>-</u>	<u>(25 650 00)</u>
Total expenditures	<u>120 538 87</u>	<u>117 950 00</u>	<u>83 141 82</u>	<u>(34 808 18)</u>
Excess (deficiency) of revenues over expenditures	(38 588 87)	(38 000 00)	19 986 52	57 986 52
Fund balance, April 1	<u>38 588 87</u>	<u>38 588 87</u>	<u>38 588 87</u>	<u>-</u>
Fund Balance, March 31	<u>-</u>	<u>588 87</u>	<u>58 575 39</u>	<u>57 986 52</u>

## TOWNSHIP OF ONTWA

Cass County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT

Year ended March 31, 2005

## Township Board:

Wages	4 800 00
Payroll tax	8 019 38
Audit	4 600 00
Legal	1 889 32
Drains	12 925 00
Insurance	29 886 68
Miscellaneous	20 002 18
	<u>82 122 56</u>

## Supervisor:

Salary	14 360 00
Clerical wages	20 215 00
Office supplies	2 462 75
Postage	5 268 26
Communications	2 888 12
Transportation	1 800 00
Membership and dues	3 042 73
Repairs and maintenance	2 989 67
Miscellaneous	1 715 87
	<u>54 742 40</u>

## Elections:

Wages	6 777 75
Supplies	611 97
Miscellaneous	1 136 46
	<u>8 526 18</u>

## Assessor:

Salary	15 000 00
Contracted services	9 177 24
Supplies	441 99
	<u>24 619 23</u>

## Clerk:

Salary	16 000 00
Deputy	2 469 38
Office supplies	1 149 24
Transportation	1 800 00
	<u>21 418 62</u>

## Board of Review:

Wages	2 400 00
Miscellaneous	315 55
	<u>2 715 55</u>

## Treasurer:

Salary	16 000 00
Deputy	2 120 63
Transportation	1 800 00
Supplies	1 388 45
	<u>21 309 08</u>

## Building and grounds:

Utilities	9 570 30
Repairs and maintenance	5 910 48
	<u>15 480 78</u>

## Cemetery

1 000 00

TOWNSHIP OF ONTWA  
Cass County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended March 31, 2005

Police protection:	
Contracted services	474 374 28
Miscellaneous	<u>10 656 41</u>
	<u>485 030 69</u>
Fire protection:	
Contracted services	<u>158 687 14</u>
Ambulance:	
Contracted services	<u>158 767 14</u>
Planning Commission:	
Wages	3 820 00
Miscellaneous	<u>1 131 41</u>
	<u>4 951 41</u>
Street maintenance	<u>62 091 97</u>
Street lighting	<u>6 093 75</u>
Sanitation:	
Contracted services	<u>5 344 32</u>
Parks	<u>4 930 00</u>
Debt service	<u>26 372 34</u>
Total Expenditures	<u><u>1 144 203 16</u></u>

TOWNSHIP OF ONTWA  
Cass County, Michigan

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
ALL AGENCY FUNDS  
Year ended March 31, 2005

	<u>Balance</u> <u>4/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/05</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>2 089 896 57</u>	<u>4 494 750 18</u>	<u>6 540 208 79</u>	<u>44 437 96</u>
<u>Liabilities</u>				
Due to other funds	773 885 32	93 338 57	861 092 72	6 131 17
Due to others	<u>1 316 011 25</u>	<u>4 401 411 61</u>	<u>5 679 116 07</u>	<u>38 306 79</u>
Total Liabilities	<u>2 089 896 57</u>	<u>4 494 750 18</u>	<u>6 540 208 79</u>	<u>44 437 96</u>
<u>SEWER FUND</u>				
<u>Assets</u>				
Cash in bank	2 506 643 00	1 914 722 01	4 251 652 31	169 712 70
Due from other funds	<u>122 672 41</u>	<u>-</u>	<u>122 672 41</u>	<u>-</u>
Total Assets	<u>2 629 315 41</u>	<u>1 914 722 01</u>	<u>4 374 324 72</u>	<u>169 712 70</u>
<u>Liabilities</u>				
Due to Others	<u>2 629 315 41</u>	<u>1 914 722 01</u>	<u>4 374 324 72</u>	<u>169 712 70</u>
<u>TOTALS - ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in bank	4 596 539 57	6 409 472 19	10 791 861 10	214 150 66
Due from other funds	<u>122 672 41</u>	<u>-</u>	<u>122 672 41</u>	<u>-</u>
Total Assets	<u>4 719 211 98</u>	<u>6 409 472 19</u>	<u>10 914 533 51</u>	<u>214 150 66</u>
<u>Liabilities</u>				
Due to other funds	773 885 32	93 338 57	861 092 72	6 131 17
Due to others	<u>3 945 326 66</u>	<u>6 316 133 62</u>	<u>10 053 440 79</u>	<u>208 019 49</u>
Total Liabilities	<u>4 719 211 98</u>	<u>6 409 472 19</u>	<u>10 914 533 51</u>	<u>214 150 66</u>



# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

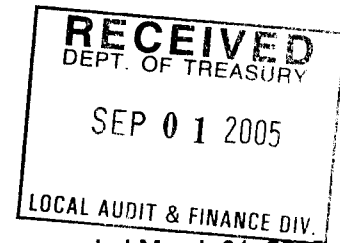
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## AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

June 30, 2005

To the Township Board  
Township of Ontwa  
Cass County, Michigan



We have audited the financial statements of the Township of Ontwa for the year ended March 31, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Ontwa in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Ontwa  
Cass County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **GASB 34 IMPLEMENTATION**

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2005. The implementation of this pronouncement for the Township of Ontwa began with the year ended March 31, 2005. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2005.

To the Township Board  
Township of Ontwa  
Cass County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants